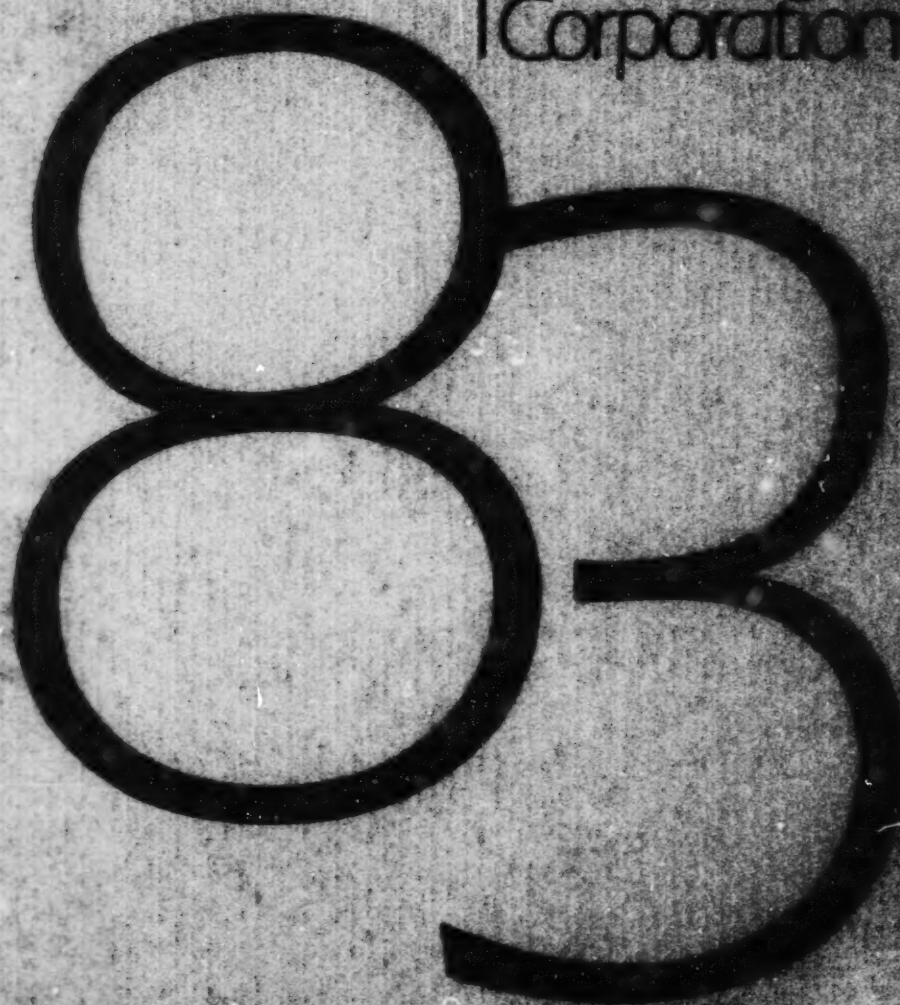


Alberta
Municipal
Financing
Corporation



Annual
Report

Directors

APPOINTED

E.E. Berstad
A.F. Collins
Dr. E.J. Hansen
R.A. Spence
F.G. Stewart

ELECTED

M.R. Parker
Representing Class B shareholders
A.F. Wornack
Representing Class C shareholders
M.J. Schmitke
Representing Class D shareholders
E. Murray
Representing Class E shareholders

Officers

F.G. Stewart
President and Chairman of the Board
C.P. Hayes
Honorary Chairman
M.R. Parker
Vice-President
H.H. Strohschach
General Manager
J.D. Peters
Assistant General Manager
G.T. Dodds
Secretary-Treasurer

Offices

GENERAL MANAGER

434 Terrace Building
9517 - 107 Street
Edmonton, Alberta
T5K 2C3
Telephone (403) 427-3052

SECRETARY-TREASURER

Sir Frederick W. Haultain Building
9511 - 109 Street
Edmonton, Alberta
T5K 0C8
Telephone (403) 427-0711

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**Board of
Directors**



A.F. Collins



A.F. Wornack



M.R. Parker



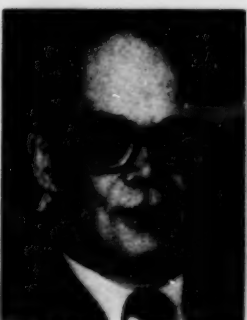
R.A. Splane



M.J. Schmitke



E. Murray



Dr. E.J. Hanson



E.E. Borstad



C.P. Hayes

President's Report

March 2, 1984



F. G. Stewart
President and Chairman
of the Board

The volume of new loans issued by the Alberta Municipal Financing Corporation in 1983 dropped dramatically from the record high level of loans issued in 1982. New loans totalled \$622 million, compared to \$1.12 billion in the previous year — a decrease of almost 45 per cent. Of these new loans, 71 per cent are for municipal purposes. Municipal loans dropped by 51 per cent compared to 1982, directly reflecting reduced capital spending intentions in light of the changed economic and financial circumstances. School board loans fell by 6.5 per cent in 1983, but this relatively small decline is not necessarily indicative of changes to capital spending intentions. School jurisdictions borrow for each project at stages during the construction period. Consequently, the adjustment of financial flows to reduced spending plans tends to be smoother and slower than in municipalities.

At December 31, 1983 the loan portfolio of the corporation stood at \$4.5 billion — up from \$4.1 billion at the end of 1982. Even though some municipalities are facing financial difficulties due to the development of subdivisions and other types of capital projects, no payment defaults occurred in 1983.

The downturn in the 1983 borrowing is mainly attributable to the general decline in economic activity in the province. However, Alberta Municipal Affairs announced the removal of the interest subsidy on municipal and school borrowing effective for all projects that did not have the required Local Authorities Board approval by March 27, 1983 and this action had some impact on the volume of borrowing. Based on estimates received from shareholders, we are forecasting that new loans will increase to about \$650 million in 1984 (See Schedule of Estimated Requirements at the end of this report).

As stated in my last report, the corporation sold two 12¼ per cent 20-year debentures of \$250 and \$200 million into the Canadian public market, with settlement dates of January 18, 1983 and March 16, 1983. These were the first public issues since 1970. With the significant decline in new loans issued,

the corporation did not have to float any further public issues in 1983.

Interest rates on loans to municipal authorities were gradually reduced during 1983. For example, the rate for a 20-year term loan declined from 13¼ per cent in the early part of the year to 12½ per cent by year end.

The setting of lending rates continues to be a complex process because our loan and debt portfolios are not matched. AMFC has structured almost all of its debt issues so that the full amount of the principal is payable on the due date. The corporation lends all of these funds on a blended annual repayment basis of principal and interest components. In addition, the interest on all debt is paid semi-annually while borrowers pay interest on an annual basis. The differences in the borrowing term versus the lending term add to the problem, since we continue to lend money for 5 to 25 years while the longest borrowing term available has been for 20 years.

Your Board of Directors was forced to make a critical decision late in 1983 with the introduction of a "stop-loss settlement" policy to be applied on the prepayment of all loans. Loan prepayments in 1983 reached such proportions that the corporation faced significant losses in the re-lending of these funds. As the corporation will be permitted to repay only a portion of its high interest rate debt, the balance of losses on prepayments would have to be passed on to future borrowers in the form of higher than normal interest rates. The implications for most of AMFC's shareholders would be to pay interest rates in excess of market rates. A few fortunate shareholders with established credit ratings could then raise less expensive funds in public markets. This would be inconsistent with AMFC's objective of facilitating equal borrowing terms and conditions for all local governments in Alberta.

Looking briefly at municipal financing in a national context, the borrowing activity of all Canadian municipalities produced gross new issues of approximately \$1.1 billion in public markets with an estimated additional \$800 million issued directly

to provinces and their agencies for a total of approximately \$1.9 billion during 1983. This was down from the record total of \$2.8 billion borrowed in 1982. The amount done in public markets was somewhat less than the \$1.4 billion recorded in 1982. Similarly, the total of issues sold directly to provinces and their agencies was less than the record \$1.4 billion transacted in 1982, due primarily to the large reduction by the Alberta Municipal Financing Corporation. In 1983, public financing as a percentage of total municipal financing was approximately 55 per cent, compared to 50 per cent in 1982.

Borrowing in the United States and foreign markets of approximately \$410 million was down from last year's \$670 million, and represented about 21 per cent of the total new financing in 1983. Especially during the latter part of 1983, the yield spreads between United States and Canadian bonds were not sufficiently attractive for municipal treasurers. While savings of one-half to one per cent in interest rates are usually required to induce borrowing outside Canada, the spread between the prime rates in

Canada and the United States narrowed from one per cent in January to zero per cent by August.

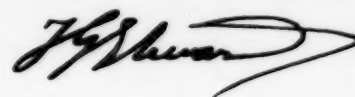
The general tenor of municipal financing in Canada is one of cautious optimism, due to the lower interest rates, somewhat higher economic growth, and less volatile markets. Municipalities are not financing at the expansionary rate of the mid-1970s and a prudent attitude seems to predominate with municipalities ensuring affordable levels and terms of borrowing before proceeding.

Total new financing by local governments in Alberta is not expected to change significantly in 1984 and could reasonably be expected to fall. Spurred by surging economic activity and population growth and fueled by expectations of continued strong growth through the 1980s, capital budgets expanded in the late 1970s and 1980s as municipalities and school boards moved to construct facilities to meet current and anticipated needs. Those expectations have not been realized; the economy turned down and population growth quickly halted. There is now excess capacity in much of the Province's public economic and social infrastructure. Consequently,

capital budgets are expected to bear the brunt of the financial restraint imposed during the current period of adjustment to more moderate economic growth in the mid-to-late eighties.

It is with pleasure that I introduce Mr. Elmer Borstad as a director of the corporation. Elmer was appointed to the Board as a representative of the Class A shareholder on February 2, 1983.

It has been an honour and a privilege to have served as your president during the past eight years. I take this opportunity to express my sincere appreciation to our directors and staff for their support during this period of growth combined with the many uncertainties in the financial markets.



F.G. Stewart
President and
Chairman of the Board

Schedule of Estimated Requirements

(thousands of dollars)

	1984 Estimated	1983 Actual	1983 Estimated	1982 Actual
By Jurisdiction				
Cities	\$472,499	\$402,621	\$642,498	\$ 858,068
Towns	37,221	27,038	65,938	58,635
Villages	4,375	4,628	10,646	4,249
Counties, municipal districts and improvement districts	46,991	35,873	44,738	40,853
Hospital and nursing home districts	251	2,359	5,000	800
School divisions and districts	134,087	149,677	184,297	157,183
	<u>\$695,424</u>	<u>\$622,196</u>	<u>\$953,117</u>	<u>\$1,119,788</u>
By Purpose				
Municipal	\$535,295	\$444,417	\$733,780	\$ 913,450
Hospital	251	2,978	5,000	19,332
School	159,878	174,801	214,337	187,006
	<u>\$695,424</u>	<u>\$622,196</u>	<u>\$953,117</u>	<u>\$1,119,788</u>

General Manager's Report

March 2, 1984



H.H. Strohbach
General Manager

Loans to municipal authorities took a dramatic down-turn in 1983. As stated by our President, total new loans dropped by almost 45 per cent in 1983, as compared to 1982. The gradual decrease in loans in the first half of the year became more pronounced in the latter part of the year and affected the funding requirements of the corporation significantly. Instead of placing several planned debenture issues in public markets in the second half of the year, only the two Canadian debenture issues were completed in January and March of 1983. The new long-term debt issues in 1983 are summarized below in Table 1:

Of the \$450 million sold to the public, \$225 million was used to redeem two outstanding issues held by the Provincial Treasurer under the terms of a prior agreement. The details of these two redeemed issues, along with the two natural maturities which occurred in 1983, are found below in Table 2:

Again, the Canada Pension Plan Investment Fund was a major source of funds available to the corporation, representing over 48 per cent of all the money loaned to municipal and school authorities in 1983. However, the amount available from the CPP Investment Fund declined to \$299 million from \$342 million in 1982 — a decrease of almost 13 per cent. These funds are still available on a 20-year term subject to

early recall on six months notice. No early calls have been made to date by the Fund and the first natural maturity date of the CPP debt is December 1, 1986.

At the Fall Session of the Legislature a bill increasing the authorized borrowing limit of the corporation from \$5.8 billion to \$7.0 billion received Royal Assent. Compared to this authorized limit, the gross outstanding debt of the corporation totalled \$5.1 billion at December 31, 1983. Of this total, \$2.6 billion is held by the CPP Investment Fund, \$1.7 billion by the Government of Alberta and the remainder is in the form of public debenture debt. The corporation's historical sources of capital are summarized in the table following this report and a five-year comparison of the sources of capital is set out graphically on page 9 of the Annual Report.

As stated earlier by our President, a new stop-loss policy relating to prepayment of loans became effective on November 15, 1983. This policy change became necessary as a result of shareholders prepaying close to \$63 million in high interest rate loans at a significant financial re-lending loss to the corporation. Prior to that time loan prepayments were subject to the approval of the Board of Directors but no penalty was imposed. One of AMFC's shareholders applied to the Court of Queen's Bench of Alberta for an order to prepay with-

Table 1: 1983 New Long-term Debt Issues

	\$ Million	Coupon Rate	Maturity	Price	Effective Cost
Public	250	12.25%	2002	\$ 98.625	12.44%
Public	200	12.25%	2002	97.625	12.57%
CPP	299	11.58%*	2003	100.000	11.58%

* — Average rate of 12 monthly issues.

Table 2: 1983 Debt Maturities and Redemptions

\$ Million	Rate	Issue Date	Maturity Date	Price
21	5.5%	Apr. 1, 1961	Apr. 1, 1983	\$100
20	5.25%	Dec. 1, 1961	Dec. 1, 1983	\$100
80	13.50%	Nov. 1, 1982	Nov. 1, 1989	\$100
145	11.875%	Dec. 1, 1982	Dec. 1, 1990	\$100



J.D. Peters
Assistant General Manager



G.T. Dodds
Secretary-Treasurer

out a penalty a \$1.5 million loan at 16¼ per cent; however, the case was dismissed by the court on January 23, 1984. The Alberta Government has agreed to accept for redemption AMFC debentures held by the Heritage Fund in an amount equal to the prepayments and carrying similar rates of interest. This concession was granted subject to AMFC implementing a policy to stop losses on future prepayments. It is expected that funds for this debt repayment will be raised as part of our next public issue and will be paid to the Heritage Fund at that time. As well, the corporation is committed to accepting prepayment of about \$28 million for the Calgary Saddledome stadium financing as soon as the Government of Canada's share is made available to the City of Calgary. This amount is included in the agreement to redeem debentures held by the Heritage Fund.

Most debenture debt incurred by the corporation, including the two recent public issues, is subject to a sinking fund provision. The assets of our sinking fund totalled \$798 million at the end of 1983, compared to \$669 million at December 31, 1982. Of the total investments

held in the sinking fund at year end, \$150 million is in the form of AMFC debentures acquired in the market. Two public issues totalling \$40 million will mature in 1984. The corporation holds \$22 million of these issues in its sinking fund and no borrowing will be required to retire both issues in full.

In closing, I want to express my sincere appreciation to the President and Board of Directors, our staff and the many Alberta Treasury employees who have provided services to the corporation throughout the past year.

H.H. Strohbach
General Manager

Sources of Capital

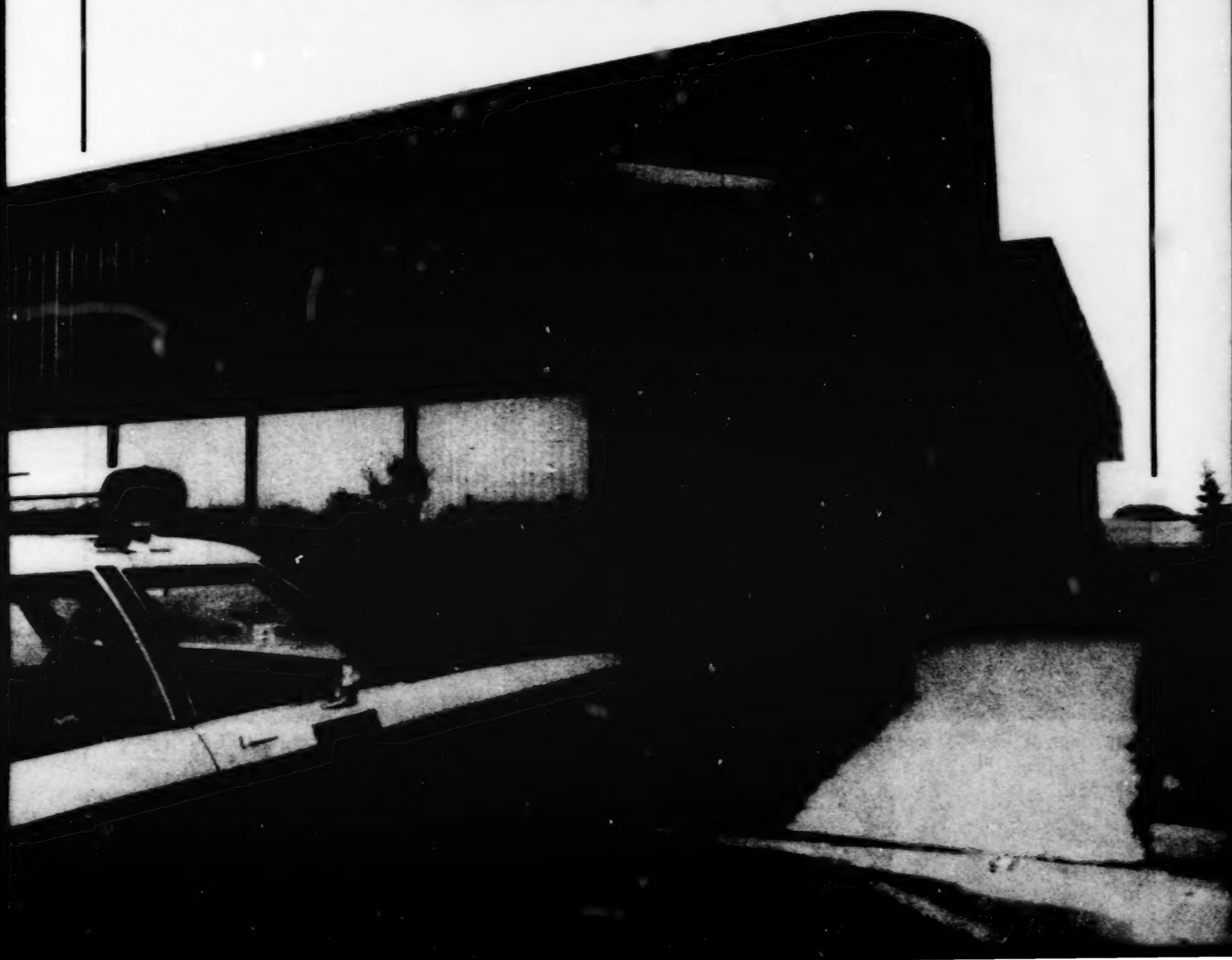
(thousands of dollars)

	Original Issue	Gross Outstanding December 31, 1983	Outstanding as a Percentage of Total
Canada Pension Plan			
Investment Fund	\$2,638,908	\$2,638,908	51.6%
Government of Alberta	1,724,000	1,724,000	33.7
Public:			
Canada	765,000	724,180	14.1
United States	150,000	29,700	0.6
Total	<u>\$5,277,908</u>	<u>\$5,116,788</u>	<u>100.0%</u>

Protective
Services



Lloydminster Police Station



How the Corporation Functions

PURPOSE

The Alberta Municipal Financing Corporation is a non-profit corporation. It assists municipal jurisdictions within the province to obtain capital funds at the lowest possible cost through access to capital markets which would not be available to them on an independent basis.

AUTHORITY

The corporation was established in 1956 under the authority of the Alberta Municipal Financing Corporation Act, being Chapter 3 of the Statutes of Alberta 1956 (R.S.A., 1980 CH. A-33).

SHAREHOLDERS

The authorized stock of the corporation consists of the following shares with a par value of \$10 each:

- 4500 Class A, available only to the Crown
- 1000 Class B, available only to municipalities (defined as including municipal districts, counties, improvement districts and special areas) and to approved hospitals and hospital districts.
- 750 Class C, available only to cities
- 750 Class D, available only to towns and villages
- 500 Class E, available only to school districts and divisions.

The business of the corporation is administered by a board of directors. The Lieutenant Governor in Council appoints five directors to represent the Class A common shareholder. Each of the other four classes of shareholders elects one director to the Board.

REGULATIONS

The Regulations presently in force provide that applications for loans from the corporation must be accompanied by audited financial statements of the applicant, as well as a detailed estimate of the cost of the capital project for which the funds are required.

All applications, except those for hospital purposes, must have the approval of the Local Authorities Board of the province as evidence that the applicant has satisfied the provisions of provincial legislation, including debt limitation, related to the borrowing. Maximum terms of loans for various projects are prescribed in the Loan Regulations.

LOANS AND FINANCING

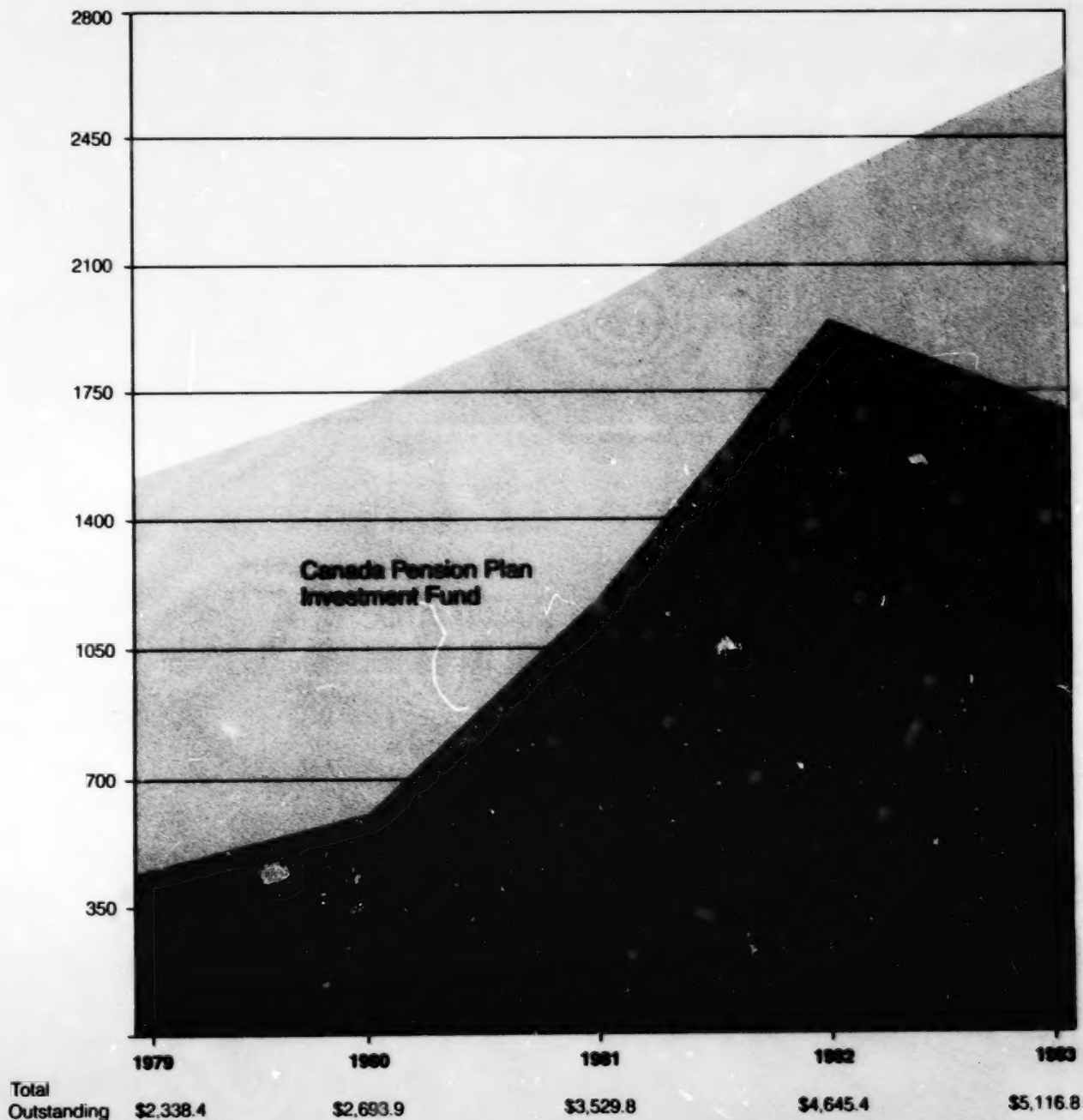
Funds are paid to borrowers in exchange for debentures. Loans to municipal and hospital authorities are secured by debentures repayable in equal annual instalments of blended principal and interest. Loans for school purposes are secured by debentures repayable in equal annual instalments of principal plus interest.

The corporation issues various debt obligations to obtain the funds necessary to finance loan requirements. These obligations of the corporation carry the unconditional guarantee of the Province of Alberta.



Analysis of Outstanding Debt

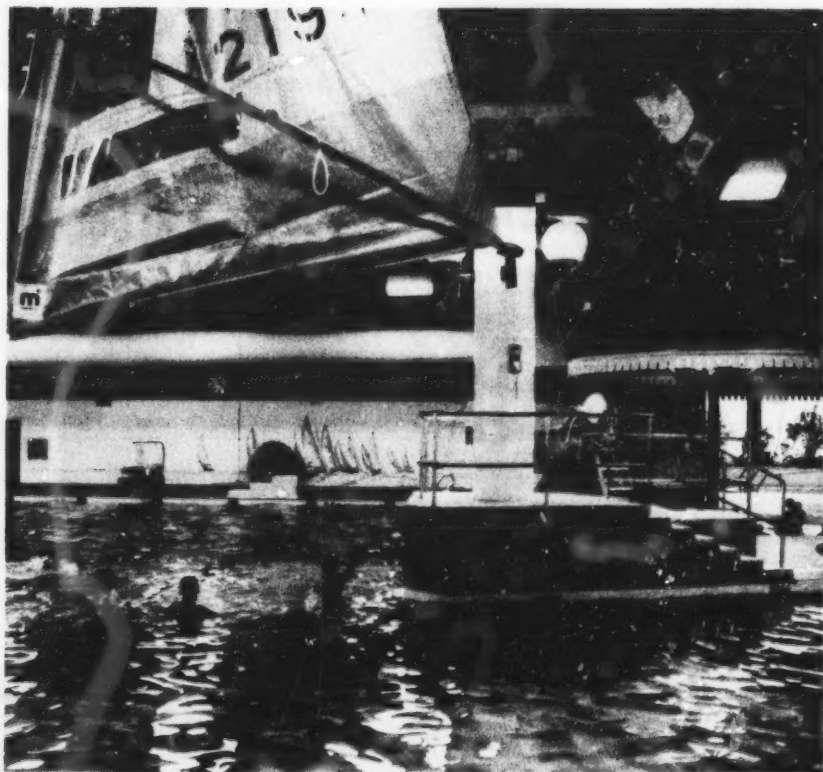
For the Five-Year
Period 1979-1983
(millions of dollars)



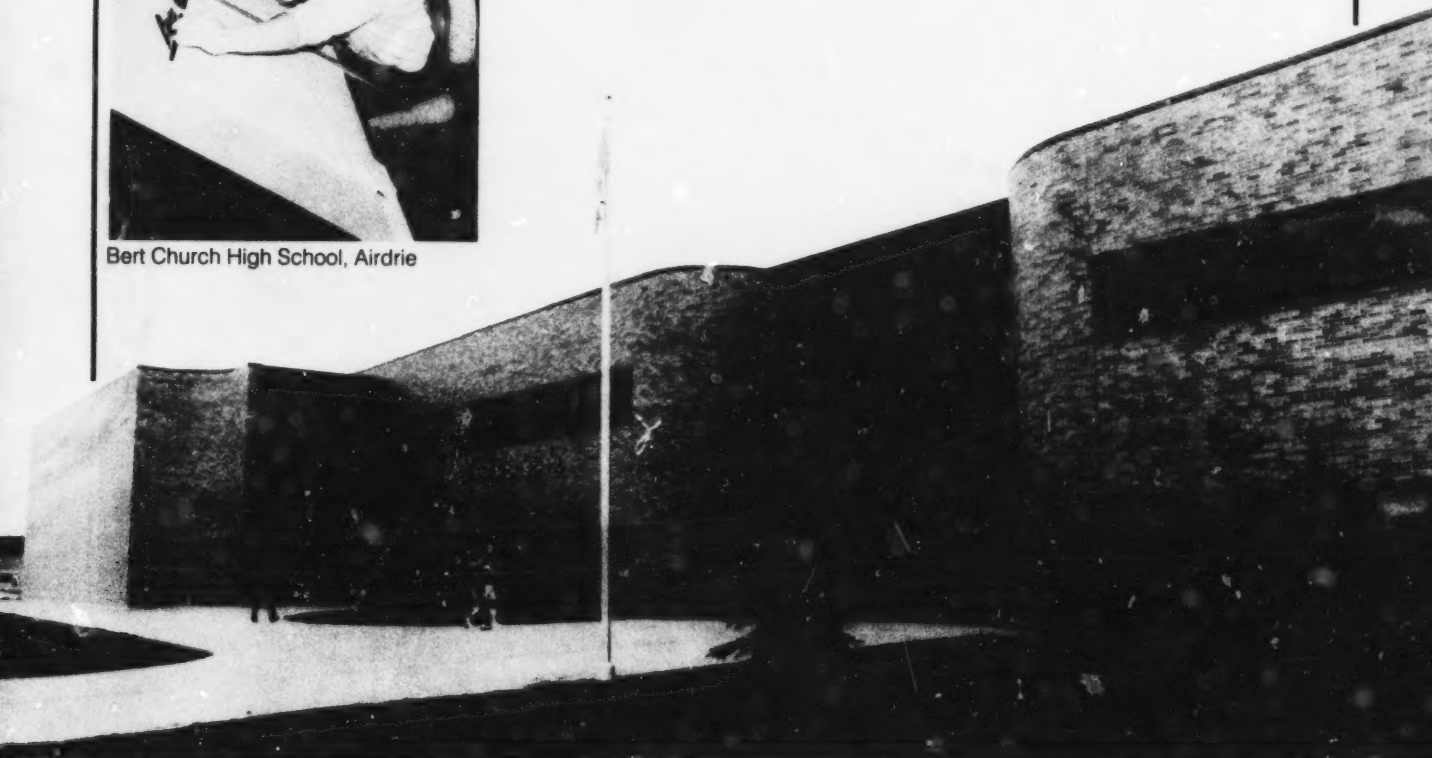
School, Recreational
and Utility Services



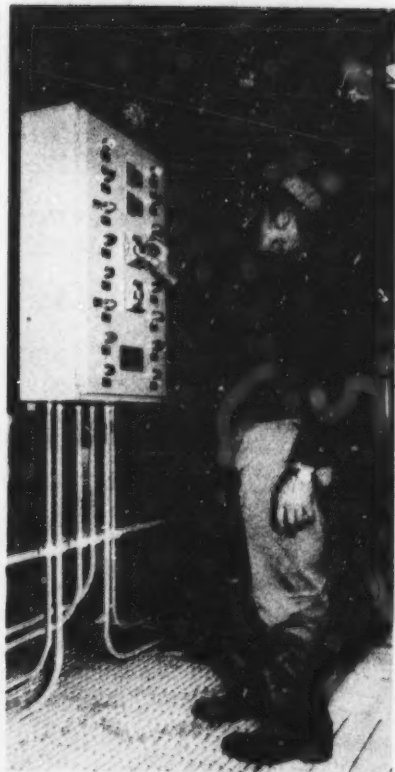
Bert Church High School, Airdrie



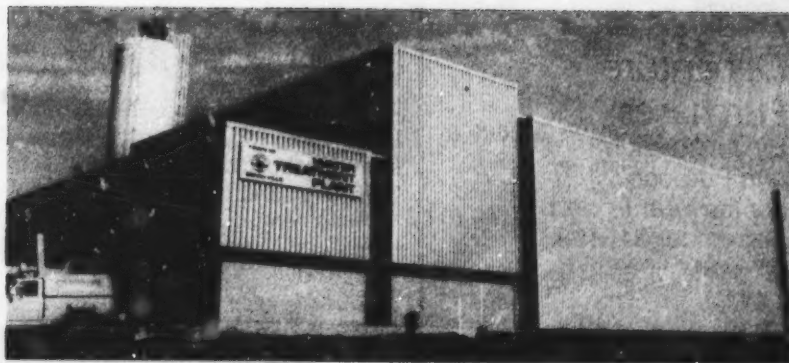
Fort Saskatchewan Pool



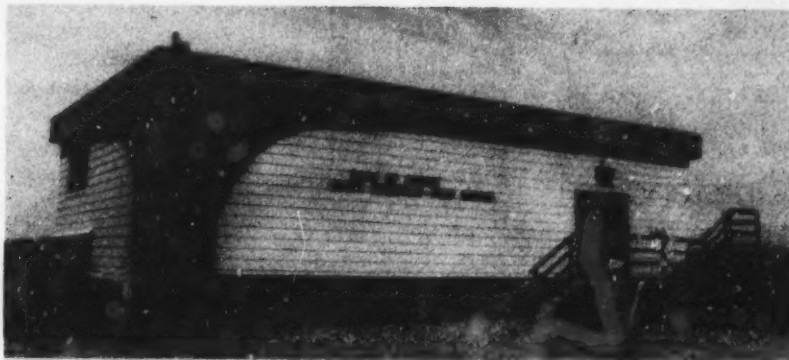
Bert Church High School, Airdrie



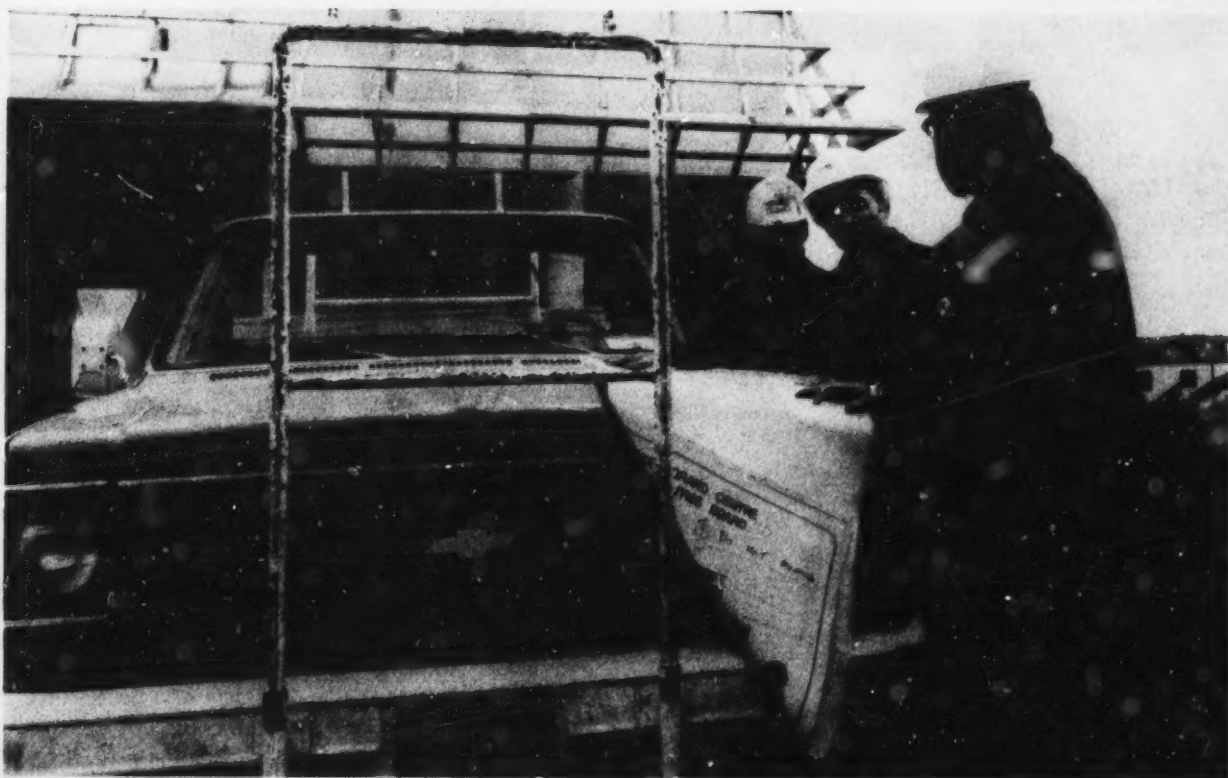
Viking water treatment plant



Bonnyville Water Treatment Plant



Airdrie pumping station



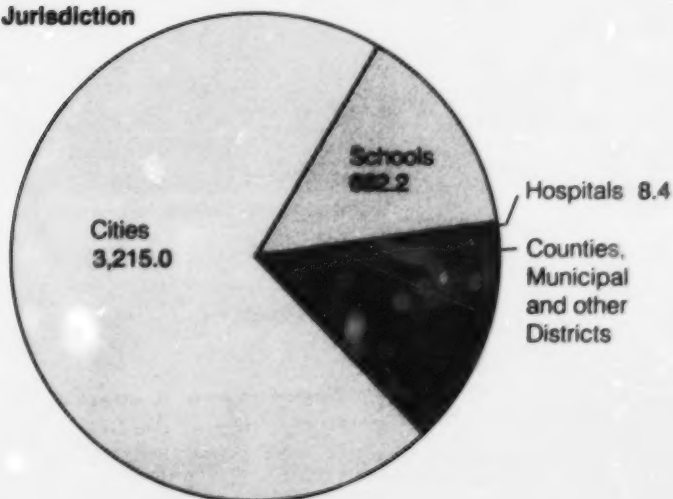
Grand Centre sewage treatment plant

Analysis of Debenture Purchases By Jurisdiction and Purpose For the Year Ended December 31, 1983 (thousands of dollars)

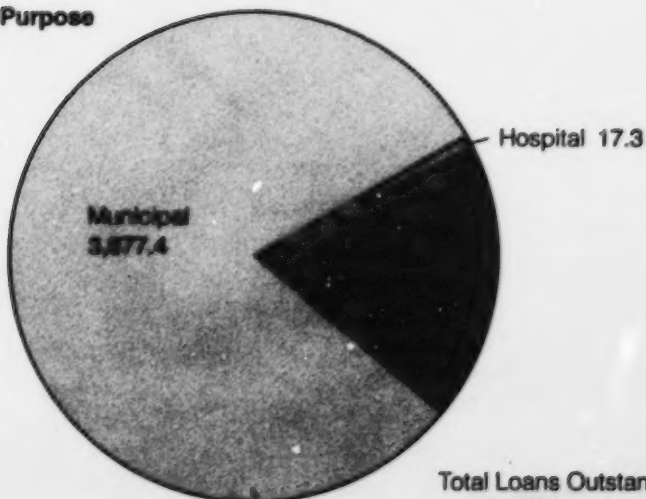
	Cities	Towns	Villages	Other	Total
Sewer and water	\$108,188	\$11,761	\$2,739	\$ 2,239	\$124,927
Roads and sidewalks	126,087	5,244	1,017	3,384	135,732
Land	5,875	1,486	—	3,604	10,965
Municipal buildings ..	38,199	771	842	410	40,222
Equipment and machinery	28,071	93	30	569	28,763
Utilities	61,895	2,000	—	970	64,865
Parks and recreation	34,306	4,637	—	—	38,943
Hospitals and nursing homes	—	546	—	2,432	2,978
Schools	—	500	—	174,301	174,801
Total	<u>\$402,621</u>	<u>\$27,038</u>	<u>\$4,628</u>	<u>\$187,909</u>	<u>\$622,196</u>

Outstanding Loans By Jurisdiction and Purpose As at December 31, 1983 (in millions of dollars)

Jurisdiction



Purpose



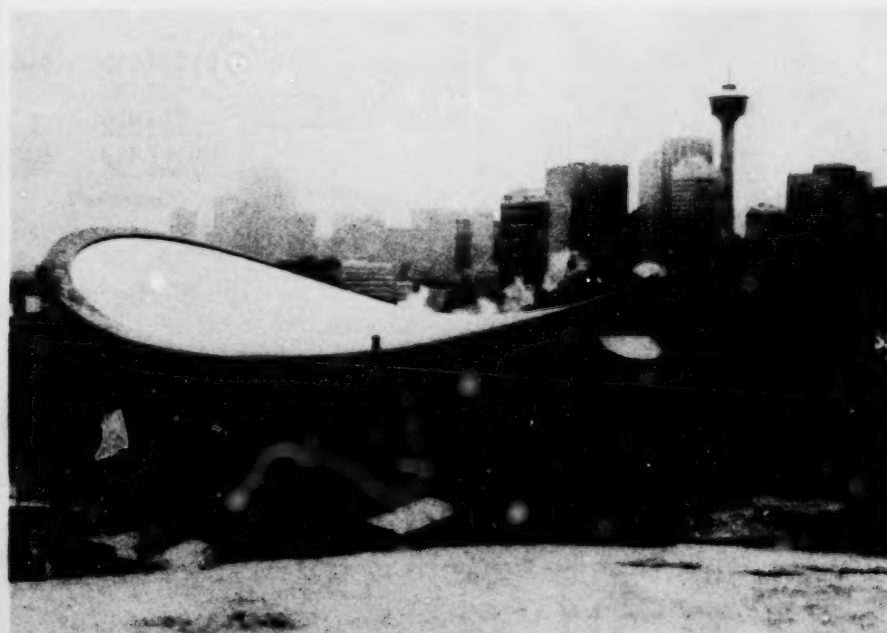
**Total Loans Outstanding
\$4,528.4**

**Schedule of
Loans Outstanding**
By Jurisdiction and Purpose
As at December 31, 1983
(thousands of dollars)

	Principal Outstanding Dec. 31, 1982	New Loans Issued 1983	Principal Repaid 1983	Principal Outstanding Dec. 31, 1983
By Jurisdiction				
Cities:				
Calgary	\$1,183,148	\$178,466	\$ 52,260	\$1,309,354
Camrose	17,625	918	425	18,118
Drumheller	7,984	1,418	348	9,054
Edmonton	1,418,044	175,000	65,169	1,527,875
Fort McMurray ..	16,055	2,342	741	17,656
Grande Prairie ..	47,147	10,713	1,105	56,755
Leduc	17,425	1,606	430	18,601
Lethbridge	44,703	5,649	1,845	48,507
Lloydminster	17,861	1,074	331	18,604
Medicine Hat	55,106	9,494	2,497	62,103
Red Deer	68,315	10,183	1,812	76,686
St. Albert	33,391	5,190	528	38,053
Wetaskiwin	13,293	568	242	13,619
Total Cities	2,940,097	402,621	127,733	3,214,985
Towns	354,453	27,038	17,045	364,446
Villages	38,584	4,628	1,989	41,223
Counties — School	132,080	24,624	7,582	149,122
— Other	52,566	9,011	8,309	53,268
Municipal districts	5,979	2,095	1,459	6,615
Improvement				
districts	5,783	143	49	5,877
Irrigation districts ..	2,216	—	9	2,207
Hospitals	6,243	2,359	151	8,451
School districts				
& divisions	579,418	149,677	46,900	682,195
	<u>\$4,117,419</u>	<u>\$622,196</u>	<u>\$211,226</u>	<u>\$4,528,389</u>
By Purpose				
Municipal	\$3,375,210	\$444,417	\$142,215	\$3,677,412
Hospital	28,733	2,978	14,401	17,310
School	713,476	174,801	54,610	833,667
	<u>\$4,117,419</u>	<u>\$622,196</u>	<u>\$211,226</u>	<u>\$4,528,389</u>

**Ten-Year
Review:
1974-1983**
(thousands of dollars)

	1983	1982	1981
New loans issued during year:			
By jurisdiction:			
Cities	\$ 402,621	\$ 858,068	\$ 582,833
Towns and villages	31,666	62,884	99,429
County, municipal and other districts	35,873	40,853	49,172
Hospitals	2,359	800	4,715
School divisions and districts	149,677	157,183	107,726
Total	622,196	1,119,788	843,875
By purpose:			
Municipal	444,417	913,450	688,728
Hospital	2,978	19,332	8,715
School	174,801	187,006	146,432
Total	622,196	1,119,788	843,875
Loans repaid during year	211,226	118,398	101,582
New debt issues sold during year	748,582	1,116,673	844,111
Outstanding debenture debt at December 31	5,116,788	4,645,360	3,529,752
Sinking fund assets at December 31	797,845	668,897	480,475
Retained earnings at December 31	290,699	233,968	128,105
Lending rate at December 31 (based on 20-year term)	12-5/8%	13-1/4%	16-1/2%



Calgary's new Saddledome

1980	1979	1978	1977	1976	1975	1974
\$ 521,309	\$ 333,727	\$ 267,327	\$ 239,524	\$ 204,086	\$ 205,427	\$ 122,364
94,039	89,837	62,036	52,134	56,003	31,588	13,342
47,306	18,206	14,820	12,975	15,895	12,361	5,231
19,275	74,316	51,686	25,462	35,522	14,051	11,073
<u>60,734</u>	<u>41,893</u>	<u>22,980</u>	<u>37,258</u>	<u>39,595</u>	<u>18,228</u>	<u>13,082</u>
742,663	557,979	418,849	367,353	351,101	281,655	185,102
639,491	432,637	336,457	294,856	263,716	239,717	138,723
19,275	76,316	53,808	27,956	43,522	19,051	11,073
<u>83,897</u>	<u>49,026</u>	<u>28,584</u>	<u>44,541</u>	<u>43,863</u>	<u>22,887</u>	<u>15,306</u>
742,663	557,979	418,849	367,353	351,101	281,655	185,102
400,710	669,655	91,227	76,794	62,900	54,284	48,701
676,439	461,392	469,576	343,413	422,179	275,007	156,497
2,693,913	2,338,364	2,407,159	2,047,806	1,714,167	1,401,459	1,160,996
405,756	359,266	329,917	271,432	223,546	185,436	155,475
121,928	102,919	103,787	83,173	64,353	48,898	38,603
13-¾%	12%	10-¾%	9-¼%	10%	10-½%	9-¾%



Edmonton's new Convention Centre





OFFICE OF THE AUDITOR GENERAL

Auditor's Report

To the Shareholders
of the Alberta Municipal Financing Corporation

I have examined the balance sheet of the Alberta Municipal Financing Corporation as at December 31, 1983 and the statements of revenue, expenditure and sinking fund earnings, retained earnings, and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the corporation as at December 31, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with the disclosed basis of accounting, considered appropriate in the circumstances, as described in Note 2 to the financial statements applied, except for the change in the method of translating foreign currency items and after giving retroactive effect to the change in the method of accounting for investments as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

C.A.
Auditor General

Edmonton, Alberta
March 2, 1984

Statement A

Balance Sheet

As at December 31, 1983

(thousands of dollars)

	1983	1982
Assets		
Deposits in the Consolidated Cash		
Investment Trust Fund	\$ 4,916	\$ 19,744
Accrued interest receivable	212,140	184,976
Loans to municipal authorities	4,528,389	4,117,419
	<u>\$4,745,445</u>	<u>\$4,322,139</u>
Liabilities and Shareholders' Equity		
Liabilities:		
Accrued interest payable	\$ 125,769	\$ 124,550
Demand note payable to the Provincial Treasurer	32,000	—
Net debenture debt (Schedule 1 and Notes 4 and 5)	4,296,914	3,963,558
	<u>\$4,454,683</u>	<u>4,088,108</u>
Shareholders' Equity:		
Share capital: (Note 6)		
Authorized: 7,500 common shares, par value \$10 per share		
Issued and fully paid:		
1983 — 6,339 shares		
(1982 — 6,250 shares)	\$ 63	\$ 63
Retained earnings, Statement C	290,699	233,968
	<u>290,762</u>	<u>234,031</u>
	<u>\$4,745,445</u>	<u>\$4,322,139</u>

The accompanying notes are part of these financial statements.

Statement B

Statement of Revenue Expenditure and Sinking Fund Earnings For The Year Ended December 31, 1983 (thousands of dollars)

	1983	1982
Revenue:		
Interest on loans	\$508,758	\$448,455
Interest on deposits	6,877	2,232
Gains on redemption of debenture debt	808	1,140
	<u>574,041</u>	<u>451,827</u>
Expenditure:		
Interest on debentures	593,462	462,455
Amortization of debenture discount	3,563	2,824
Administration expense	280	230
Other interest	237	30
Public debenture issue expense	122	—
Debt services charges	111	13
Exchange losses on debenture debt	85	1,503
Directors' and officers' fees and expenses	14	12
Miscellaneous expense	16	14
	<u>597,890</u>	<u>467,081</u>
Operating income (loss)	<u>(23,849)</u>	<u>(15,254)</u>
Sinking fund:		
Net earnings	<u>80,580</u>	<u>65,546</u>
Excess of revenue and sinking fund earnings over expenditure	<u>\$ 58,731</u>	<u>\$ 50,292</u>

Statement C

Statement of Retained Earnings For The Year Ended December 31, 1983 (thousands of dollars)

	General Fund	Sinking Fund	1983 Total	1982 Total
Balance at beginning of year				
— as previously reported	\$(434,929)	\$664,785	<u>\$229,856</u>	\$128,105
— prior years' adjustment	—	4,112	<u>4,112</u>	55,571
— as restated	(434,929)	668,897	<u>233,968</u>	183,676
Operating income (loss)	(23,849)	—	<u>(23,849)</u>	(15,254)
Sinking fund earnings ..	—	80,580	<u>80,580</u>	65,546
Sinking fund contributions	(89,368)	89,368	—	—
Transfers on debt retirement	41,000	(41,000)	—	—
Balance at end of year	<u>\$(507,146)</u>	<u>\$797,845</u>	<u>\$290,699</u>	<u>\$233,968</u>
Balance comprises:				
Total contributions to sinking fund	\$(464,605)	\$464,605	<u>\$ —</u>	<u>\$ —</u>
Other	(42,541)	333,240	<u>290,699</u>	<u>233,968</u>
	<u>\$(507,146)</u>	<u>\$797,845</u>	<u>\$290,699</u>	<u>\$233,968</u>

Statement D

Statement of
Changes in
Financial PositionFor The Year Ended
December 31, 1983
(thousands of dollars)

Cash was provided from:

Debenture debt issues:

	1983	1982
Canada Pension Plan Investment Fund	\$ 298,582	\$ 341,673
Province of Alberta	—	775,000
Public	488,000	—
Demand note payable to the Provincial Treasurer	32,000	—
Loan repayments	211,228	118,398
Transfers from sinking fund on debt retirement (Schedule 2)	41,000	—
	<u>1,032,808</u>	<u>1,235,071</u>

Cash was applied to:

Operating loss, Statement B	23,849	15,254
Add (deduct) non-cash items:		
Gain on redemption of debenture debt	908	1,140
Amortization of debenture discount	(3,563)	(2,824)
Accrued portion of interest	25,945	24,767
Cash applied to operations	46,839	38,337
New loans	622,196	1,119,788
Reduction of debenture debt	278,546	7,702
Discount on sale of debentures	12,687	2,218
Contributions to the sinking fund (Schedule 2)	88,388	67,305
	<u>1,047,836</u>	<u>1,235,350</u>
Net increase (decrease) in deposits in the Consolidated Cash Investment Trust Fund	\$ (14,828)	\$ (279)

**Notes to the
Financial
Statements**
December 31, 1983

Note 1 Authority

The Alberta Municipal Financing Corporation operates under the authority of the Alberta Municipal Financing Corporation Act, Chapter A-33, Revised Statutes of Alberta 1980.

Note 2 Significant Accounting Policies and Reporting Practices

- (i) These financial statements have been prepared in accordance with generally accepted accounting principles except as follows:

- (a) Bonds, debentures, mortgages, bond coupons and residuals and mid-term money market securities are carried at adjusted cost which includes deferred unamortized realized gains and losses.

Realized gains and losses on disposals of these investments are considered to be an adjustment of future portfolio yield and are deferred and amortized on a straight line basis over the lesser of the remaining term to maturity of the investment disposed of or ten years.

- (ii) Other significant accounting policies are as follows:

- (a) Short-term money market securities are carried at cost.

Realized gains and losses on disposals of short-term money market securities are included in the determination of net income.

- (b) The cost of investments includes the amount of applicable amortization of discount or premium using the straight line method over the life of the investments.

The cost of investments disposed of is determined on the average cost basis.

- (c) Debenture debt, cash, accrued interest, short-term money market securities and accounts payable denominated in foreign currency are translated at the rate of exchange in effect at the balance sheet date. Investments, other than short-term money market securities, and revenue items are translated at historical exchange rates.

Gains and losses arising from the translation of foreign currencies are included in the determination of income except unrealized exchange gains or losses relating to hedged debenture debt which are deferred until the redemption of the debt and relating to unhedged debenture debt which are deferred and amortized over the remaining life of the debt.

- (d) On redemption of each debenture debt issue, the accumulated contributions from the general fund together with related accumulated earnings are transferred from the sinking fund to the general fund.

Note 3 Change in Accounting Policies

- (i) Investments: Realized gains and losses on disposals of bonds, debentures, mortgages, bond coupons and residuals and mid-term money market securities are considered to be an adjustment of future portfolio yield and are now deferred and amortized. These investments are now carried at adjusted cost which includes amounts deferred. Short-term money market securities are now valued at cost. Prior to January 1, 1983, realized gains and losses on disposals of bonds, debentures and mid-term money market securities were included in the determination of sinking fund earnings and bonds and money market securities were valued at the lower of cost and market. This change in accounting policy has been applied retroactively and accordingly the financial statements for the year ended December 31, 1982 have been restated. As a result of this change, income for the year ended December 31, 1983 was reduced by \$6,136,892 and income for the year ended December 31, 1982, as previously reported, was decreased by \$51,459,411. Retained earnings at January 1, 1982 and January 1, 1983 have been adjusted for the cumulative effect of applying retroactively the change in accounting policy by \$55,571,496 and \$4,112,085 respectively.

- (ii) **Foreign Currency Translation:** Bonds, debentures and mid-term money market securities denominated in foreign currency are now translated at historical exchange rates. Prior to January 1, 1983 these investments were translated at the rate of exchange in effect at the balance sheet date. Unrealized exchange gains and losses relating to hedged debenture debt are deferred until the redemption of the debt and relating to unhedged debenture debt are deferred and amortized over the remaining life of the debt. Prior to January 1, 1983 unrealized exchange gains and losses relating to debenture debt were included in the determination of income. This change in accounting policy has not been applied retroactively. As a result of this change, income for the year ended December 31, 1983 was increased by \$189,392.

Note 4 Debenture Debt

- (a) The debenture debt of the corporation is fully guaranteed by the Province of Alberta.
- (b) Debentures amounting to \$2,638,908,000 held by the Canada Pension Plan Investment Fund are redeemable at the option of the Minister of Finance of Canada by giving six months notice in writing to the Provincial Treasurer and observing the other redemption provisions of the debentures.

Note 5 Commitments (thousands of dollars)

The payments required to meet sinking fund and debenture redemption requirements during each of the next five years are as follows:

	Sinking Fund	Debenture Redemption	Total
1984	\$ 96,586	\$ 11,858	\$ 108,444
1985	96,586	8,122	104,708
1986	96,086	233,360	329,446
1987	94,218	507,214	601,432
1988	93,016	158,812	251,828
	<u>\$476,492</u>	<u>\$919,366</u>	<u>\$1,395,858</u>

Note 6 Share Capital

Particulars of share capital are summarized hereunder:

Class	Restricted to	Number of shares		Total Dollar Amount
		Authorized	Issued and Fully Paid	
A	Provincial Treasurer	4,500	4,500	\$45,000
B	Municipalities and hospitals	1,000	846	8,460
C	Cities	750	539	5,390
D	Towns and villages	750	318	3,180
E	Schools	500	136	1,360
		<u>7,500</u>	<u>6,339</u>	<u>\$63,390</u>

86 Class C, 1 Class D and 2 Class E shares were issued during the year at \$10 each. 2 Class D shares were transferred from Class D to Class C.

Note 7 Comparative Figures

The 1982 figures have been restated where necessary to conform to 1983 presentation.

Note 8 Approval of Financial Statements

These financial statements were approved by management on March 2, 1984.

Schedule 1

Schedule of Net Debtenture Debt

As at December 31, 1983
(thousands of dollars)

Date of Issue	Maturity Date	Interest Rate	Original Issue	Principal Outstanding	Deduct Sinking Fund Assets (Schedule 2)	Net Debtenture Debt
Provincial Treasurer						
Sep 01, 1981	Sep 01, 1986	16.00%	\$ 78,000	\$ 78,000	\$ 3,538	\$ 74,462
Oct 15, 1981	Oct 15, 1986	18.00	100,000	100,000	4,536	95,464
Dec 01, 1981	Dec 01, 1986	15.875	70,000	70,000	3,175	66,825
May 03, 1982	May 03, 1987	15.75	40,000	40,000	833	39,167
Jun 15, 1982	Jun 15, 1987	15.375	50,000	50,000	1,042	48,958
Aug 03, 1982	Aug 03, 1987	16.875	70,000	70,000	1,458	68,542
Sep 01, 1982	Sep 01, 1987	15.50	210,000	210,000	4,375	205,625
Sep 15, 1981	Sep 15, 1987	16.25	85,000	85,000	3,856	81,144
Nov 16, 1981	Nov 16, 1987	17.25	86,000	86,000	3,901	82,099
Mar 01, 1982	Mar 01, 1988	16.00	110,000	110,000	2,292	107,708
Jul 15, 1981	Jul 15, 1988	16.00	45,000	45,000	2,041	42,959
Nov 01, 1982	Nov 01, 1989	13.50	150,000	70,000	1,458	68,542
Nov 01, 1979	Nov 01, 1999	11.70	70,000	70,000	7,358	62,642
Mar 03, 1980	Mar 03, 2000	13.45	35,000	35,000	2,605	32,395
Jul 02, 1980	Jul 03, 2000	11.75	30,000	30,000	2,232	27,768
Aug 15, 1980	Aug 15, 2000	13.20	35,000	35,000	2,605	32,395
Nov 17, 1980	Nov 17, 2000	13.75	75,000	75,000	5,581	69,419
Dec 01, 1980	Dec 01, 2000	13.65	50,000	50,000	3,721	46,279
Dec 17, 1979	Dec 15, 2000	11.85	70,000	70,000	7,358	62,642
Dec 15, 1980	Dec 15, 2000	13.60	155,000	155,000	11,534	143,466
Mar 02, 1981	Mar 02, 2001	14.10	30,000	30,000	1,361	28,639
Jun 15, 1981	Jun 15, 2001	16.25	85,000	85,000	3,856	81,144
Oct 01, 1980	Oct 01, 2001	13.66	75,000	75,000	5,581	69,419
Total				1,724,000	86,297	1,637,703
Canada Pension Plan Investment Fund (Note 4 (b))						
Dec 01, 1966	Dec 01, 1986	5.44	40,764	40,764	32,468	8,296
Dec 01, 1967	Nov 01, 1987	5.57	55,194	55,194	37,884	17,310
Dec 02, 1968	Nov 04, 1988	6.56	65,019	65,019	40,157	24,862
Dec 01, 1969	Nov 03, 1989	7.32	76,618	76,618	42,356	34,262
Dec 01, 1970	Nov 02, 1990	8.06	78,282	78,282	38,518	39,764
Dec 01, 1971	Nov 01, 1991	7.18	92,130	92,130	40,104	52,026
Dec 15, 1972	Jun 01, 1992	7.13	54,599	54,599	20,881	33,718
Dec 15, 1973	Sep 04, 1993	7.44	85,433	85,433	28,479	56,954
Nov 15, 1974	Oct 01, 1994	8.34	98,318	98,318	28,295	70,023
Nov 14, 1975	Oct 01, 1995	8.79	137,694	137,694	33,817	103,877
Oct 15, 1976	Sep 01, 1996	9.06	140,685	140,685	29,063	111,622
Oct 14, 1977	Sep 01, 1997	9.06	163,457	163,457	27,882	135,575
Oct 16, 1978	Sep 01, 1998	9.31	176,645	176,645	24,259	152,386
Nov 15, 1979	Oct 01, 1999	10.04	219,206	219,206	23,042	196,164
Nov 14, 1980	Oct 01, 2000	12.35	222,367	222,367	16,547	205,820
Sep 15, 1981	Aug 01, 2001	14.18	216,739	216,739	8,603	208,136
Jun 01, 1982	Jun 01, 2002	15.75	274,735	274,735	5,008	269,727
Apr 05, 1983	Apr 05, 2003	13.82	209,284	209,284	—	209,284
Dec 01, 1983	Dec 01, 2003	11.50	231,739	231,739	—	231,739
Total				2,638,908	477,363	2,161,545

Date of Issue	Maturity Date	Interest Rate	Original Issue	Principal Outstanding	Deduct Sinking Fund Assets (Schedule 2)	Net Debenture Debt
Public, payable in Canadian dollars						
Apr 16, 1962	Apr 16, 1984	5-1/4	15,000	15,000	15,000	—
Jun 01, 1964	Jun 01, 1984	5-1/2	25,000	25,000	25,000	—
May 15, 1963	May 15, 1985	5-1/4	20,000	20,000	20,000	—
Dec 01, 1965	Dec 01, 1985	5-1/2	25,000	25,000	22,108	2,892
Nov 01, 1963	Nov 01, 1986	5-1/2	25,000	25,000	25,000	—
Jun 15, 1965	Jun 15, 1987	5-1/4	25,000	25,000	22,344	2,656
Nov 01, 1969	Nov 01, 1989	8	15,000	56	43	13
Nov 15, 1966	Nov 15, 1989	6-1/4	25,000	25,000	19,062	5,938
Jun 01, 1970	Jun 01, 1990	8-5/8	28,000	2,124	1,285	839
Jun 15, 1966	Jun 15, 1991	5-3/4	25,000	25,000	19,342	5,658
May 15, 1967	May 15, 1992	6	35,000	35,000	24,400	10,600
Mar 15, 1968	Mar 15, 1993	7-1/4	25,000	25,000	15,687	9,313
Jun 03, 1968	Mar 15, 1993	7-1/4	27,000	27,000	5,945	10,055
Jan 18, 1983	Dec 15, 2002	12-1/4	250,000	250,000	4,427	245,573
Mar 16, 1983	Dec 15, 2002	12-1/4	200,000	200,000	3,542	196,458
Total				724,180	234,185	489,995
Public, payable in United States dollars						
May 15, 1959	May 15, 1984	4-3/4	50,000 U.S.	4,201	—	4,201
Dec 15, 1959	Dec 15, 1984	5	20,000 U.S.	1,717	—	1,717
Jun 15, 1960	Jun 15, 1985	4-7/8	30,000 U.S.	4,979	—	4,979
Nov 15, 1962	Nov 15, 1987	5	25,000 U.S.	7,995	—	7,995
Dec 15, 1964	Dec 15, 1989	4-5/8	25,000 U.S.	11,163	—	11,163
				30,055	—	30,055
Less deferred exchange losses				355	—	355
Total				29,700	—	29,700
				5,116,788	797,845	4,318,943
Less unamortized debenture discount				22,029	—	22,029
				<u>\$5,094,759</u>	<u>\$797,845</u>	<u>\$4,296,914</u>

Schedule 2

Schedule of
Sinking Fund Assets

December 31, 1983

(thousands of dollars)

	Par Value	Book Value	Market Value
Investments:			
Bonds:			
Government of Canada, direct and guaranteed	\$258,640	\$258,993	\$260,268
Provincial, direct:			
— Alberta	10,939	10,955	9,332
— Other	19,100	18,688	17,990
Provincial, guaranteed:			
— Alberta Municipal Financing Corporation	150,418	139,172	127,927
— Other Alberta	31,647	31,126	26,315
— Other	50,660	49,965	47,018
Corporate	88,334	81,911	84,640
Corporate, convertible	400	392	428
Municipal	5,744	5,787	5,950
Mid-term money market securities:			
Notes	45,000	45,005	46,953
Certificates of deposit	3,000	3,000	3,097
United States Treasury bonds and notes	20,778	20,452	20,612
Mortgages		2,950	3,242
Bond coupons and residuals:			
Government of Canada, direct		60,938	59,032
Deferred unamortized realized gains and losses			
		(2,025)	—
		<u>727,309</u>	<u>712,804</u>
Short-term money market securities: (a)			
Treasury bills		3,172	3,172
Total		<u>730,481</u>	<u>715,976</u>
Other Assets: (a)			
Deposits in the Consolidated Cash			
Investment Trust Fund		51,398	51,398
U.S. dollar bank account		10	10
Accrued interest receivable		15,956	15,956
		<u>67,364</u>	<u>67,364</u>
Total 1983		<u>\$797,845</u>	<u>\$783,340</u>
Total 1982		<u>\$668,897</u>	<u>\$659,196</u>

The net increase in sinking fund assets for the
year ended December 31, 1983 amounting to
\$128,948 was financed as follows:

Contributions from the general fund	\$ 89,368
Sinking fund earnings	80,580
Transfers to the general fund on debt retirement	(41,000)
	<u>\$128,948</u>

(a) Market value is deemed to be book value.

BB

POOR

QUALITY

ORIGINAL